

# **BUSINESS LAW SECTION**

## **Franchise Law Committee**

### **REPORT OF PENDING FRANCHISE LEGISLATION FRANCHISE LAW COMMITTEE MEETING - JULY 22, 1998**

**by Mary Beth Trice, Esq.**

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#### **Assembly Bill No. 2770**

As previously reported, a status check of this bill with Andrew Meyers (Assemblywoman Susan Davis' assistant 916-445-7210) shows that this bill died on a procedural basis.

#### **Assembly Bill No. 1830**

As previously reported, AB 1830 is an act to amend Sections 1812.203 and 1812.206 of the California Civil Code relating to business regulation. AB 1830 replaces AB2770.

This bill would require disclosure to include information regarding the criminal background and civil liability of the seller's owners. This bill would also require disclosure of information regarding currently effective agreements relating to business activity as a result of an investigation brought by public agency or department.

This bill would provide that the seller may not make any advertisement or representation to prospective purchasers until a notice of filing has been issued by the Attorney General.

According to the status sheet for AB 1830, the last action taken was July 16, 1998, when the Joint rule 61(b)(12) was enforced and action on this bill was suspended.

#### **Assembly Bill 2707**

As previously reported, this bill enacts a series of revisions to current law governing franchise agreements between motor car dealers (franchisee) and auto manufacturers and distributors (franchisor).

#### **Legislative Counsel's Digest**

An act to amend Sections 331, 331.1, 507, 3060, 3062, 3066, 3067, 11713.3, and to add Sections 114 and 543.5 to the Vehicle Code, relating to vehicles.

Existing law defines the terms "franchise" and "franchisee" and "relevant market area" for purposes of the Vehicle Code.

This bill would revise those definitions.

Existing law requires the New Motor Vehicle Board to, among other things, hear and decide protests presented by franchisees regarding specified matters.

This bill would include within the scope of those hearings a franchisee's protest regarding a franchisor's

disapproval of the sale, transfer, or assignment of a franchise with the burden of proof at the hearings placed upon the franchisor. The bill would also set forth a specific procedure governing the sale, transfer, or assignment of a franchisor described portion of a franchise to other persons.

The bill would provide that it is unreasonable for a franchisor to disapprove a sale, assignment, or transfer if the proposed transferee meets specific conditions.

Under existing law, motor vehicle dealer franchisors are prohibited from terminating, or refusing to continue, any existing franchise unless specified requirements are met, including the requirement that a written notice be sent to franchise motor vehicle dealers concerning their rights to file certain protests with the New Motor Vehicle Board, as specified.

This bill would require additional information to be included in that notification.

Under existing law, if a franchisor seeks to enter into a franchise establishing an additional motor vehicle dealership within a relevant market area where the same line-make of vehicle is then represented, or seeks to relocate an existing motor vehicle dealership, the franchisor is required to notify, in writing, the board and each franchisee in the line-make in the relevant market area of the franchisor's intention to establish an additional dealership or to relocate an existing dealership within or into that market area.

This bill would require that written notification to each franchisee contain specified information concerning the franchisee's right to protest the action to the board.

Existing law makes it a crime for licensed automotive manufacturers, manufacturer branches, distributors, or distributor branches to engage in certain conduct.

This bill would include in that listing of prohibited conduct the following: (a) the exercise of a right of first refusal or certain other similar rights unless specified conditions are met and (b) the unfair discrimination in favor of any dealership owned or controlled, by the above described entities.

### **History and Status of AB2707**

1. February 23, 1998, AB2707 was read for the first time and sent to the printer.
2. March 23, 1998, AB2707 referred to the Committee on Transportation.
3. March 31, 1998, AB2707 was amended and read for a second time.
4. April 1, 1998, AB2707 was re-referred to Committee on Transportation.
5. April 27, 1998, AB2707 was approved by Committee on Transportation and referred to the Committee on Appropriations.
6. April 28, 1998, AB2707 second time read and amended.
7. May 7, 1998, from committee: Amended, recommend pass s amended, and re-refer to Committee on Appropriations.
8. May 11, 1998, re-referred to Committee on Appropriations.
9. May 13, 1998, In committee: Hearing postponed by committee.
10. May 20, 1998, From committee: do pass.
11. May 21, 1998, Read second time. To third reading.
12. May 22, 1998, Read third time, passes, and to Senate.
13. May 22, 1998, In Senate. Red first time. To Committee on Rules for assignment.
14. May 28, 1998, Referred to Judiciary Committee.
15. June 18, 1998, In committee: Hearing postponed by committee.
16. June 24, 1998, From committee chair, with author's amendments: Amend, and re-refer to committee. Read second time, amended, and re-referred to Judiciary Committee.
17. July 6, 1998, Joint Rule 61 (b)(12 suspended.

18. July 14, 1998, Amended and referred from committee's chair. Read second time and re-referred to Judiciary Committee.
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